

Message Text

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ACTION COME-00

INFO OCT-01 ARA-16 ADP-00 EB-11 CIAE-00 INR-10 NSAE-00

RSC-01 AID-20 AGR-20 TRSE-00 OPIC-12 FRB-02 STR-08

OMB-01 RSR-01 /103 W

----- 002680

R 201800Z AUG 73

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 8757

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

LIMITED OFFICIAL USE GEORGETOWN 1236

FOR COMMERCE

E.O. 11652: N/AH DRYAGS: ETRD

SUBJECT: GUYANA BEGINS PHASE I OF CXT ADHERENCE

BEGIN UNCLASSIFIED

1. GOG TODAY RELEASED FIRST STEP OF CXT SCHEDULE IN OFFICIAL GAZETTE. ALTHOUGH DATED JULY 31, ISSUE WAS NOT PRINTED UNTIL AUGUST 16. COPY POUCHED COMMERCE. BELIEVE INITIAL EDITIONS OF TARIFF SCHEDULE WILL NOT RPT NOT BE IN LOOSE LEAF FORM, ALTHOUGH COMPTROLLER OF CUSTOMS AGREES LOOSE LEAF A GOOD IDEA, AS WELL AS SUBSCRIPTION SALES.

2. IN DISCUSSION WITH COMPTROLLER AND HIS DEPUTY, EMBOFF WAS ADVISED THAT A CONSUMPTION TAX WILL BE APPLIED IN GUYANA TO VIRTUALLY ALL GOODS WHICH COME IN AT REDUCED RATES UNDER THE CXT IN ORDER TO PREVENT LOSS OF REVENUE. HOWEVER, EFFECTIVE TARIFF WILL REMAIN SAME, AND IN SOME CASES INCREASE.

3. MORE SIGNIFICANT INTERNALLY IS QUESTION OF RETROACTIVITY OF
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CONSUMPTION TAX. SHOULD IT BE MADE RETROACTIVE TO AUGUST 1,

MERCHANTS WILL BE IN DIFFICULT POSITION OF SUSTAINING LOSS DUE TO LOWER-PRICED SALES OR BEING IN VIOLATION OF PRICE CONTROL

REGULATIONS DUE TO OVERESTIMATING AS YET UNKNOWN CONSUMPTION TAX RATES. TO FURTHER COMPLICATE MATTER, THOSE WHO HOLD BACK ON SALES UNTIL CONSUMPTION TAX IS OFFICIALLY DECREED, WILL BE AND INDEED ARE BEING ACCUSED OF HOARDING.

4. COMPTROLLER POINTED OUT THAT CONSUMPTION TAX WILL ALSO APPLY TO DOMESTICALLY PRODUCED ITEMS SIMILIAR TO THOSE IMPORTED. DOMESTIC PRODUCERS NOT HURT BY THIS AS WOULD APPEAR, BECAUSE CONSUMPTION TAX ON IMPORTS WILL BE FIGURED ON VALUE PLUS C.I.F. PLUS NEW TARIFF, WHILE SIMILIAR DOMESTIC GOODS WILL BE TAXED ONLY ON VALUE. END UNCLASSIFIED

5. BEGIN LIMITED OFFICIAL USE. COMPTROLLER ALE THAT LEGAL ADVISERS RECOMMEND AGAINST RETROACTIVITY, BUT ANY DECISION TAKEN WILL BE POLITICAL RATHER THAN ECONOMIC. ALSO ADMITTED THAT SHOULD DECISION NOT BE TAKEN FOR SOME TIME YET, CUSTOMS WILL HAVE DIFFICULTY PURSUING THOSE WHO OWE TAX.

6. COMMENT: GUYANA COMPLIANCE WITH CARICOM CXT HAS BEEN PAINFULLY DELIBERATE. OFFICIALDOM CLAIMS DELAY DUE ONLY TO PRINTING TIEUP. THIS HARD TO BELIEVE SINCE DRAFT COPIES KNOWN TO EXIST FOR AT LEAST A WEEK. DELAY PROBABLY INTENTIONAL PENDING DECISION

ON CONSUMPTION TAX. AS PRESSURE FROM IMPORTERS AND MERCHANTS INCREASED HOWEVER, GOG APPEARS TO HAVE RELEASED TARIFF TO ALLEVIATE HEAVY PILE-UPS ON WHARVES. SUSPECT ALSO STRONG ELEMENT OF "WAIT AND SEE WHAT JAMAICA, TT, AND BARBADOS DOING" CONTRIBUTED TO DELAY.
SHERRY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973GEORGE01236
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: GEORGETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730828/aaaaauki.tel
Line Count: 94
Locator: TEXT ON-LINE
Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 23 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23-Jan-2002 by kelleyw0>; APPROVED <24-Jan-2002 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GUYANA BEGINS PHASE I OF CXT ADHERENCE BEGIN UNCLASSIFIED
TAGS: EFIN, ETRD, GY
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005